

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: AN ORDINANCE relating to certain City-owned property located at 1620 12th Avenue East, commonly known as the East Precinct Parking Facility; authorizing the Director of Finance and Administrative Services to execute and record certain documents, including a Condominium Declaration, Survey Map and Plans, a Purchase and Sale Agreement, a Quit Claim Deed, a Ground Lease, a Sublease, and other agreements and documents in consideration of the development by Capitol Hill Housing Improvement Program of a six-story mixed-use facility with underground parking for the Seattle Police Department, commercial, retail and arts space, as well as affordable housing; and increasing appropriations in the 2012 Adopted Budget for certain activities of the Finance and Administrative Services Budget; all by a three-fourths vote of the City Council.

Summary of the Legislation:

City-owned property, commonly referred to as the “East Precinct Parking Facility,” is located on Capitol Hill at 1620 12th Avenue East. The site currently provides a total of 77 parking spaces for Seattle Police Department (SPD) vehicles and officers who park their personal vehicles there while on duty. The property, which was purchased in the mid-1980s to provide parking for the East Precinct, also includes two-10,000 gallon gasoline tanks that are used to fuel SPD fleet vehicles, a backup generator that provides power to the fueling station and other uses, and a vacuum and car wash area. In addition to the parking provided at this location, the Seattle Police Department leases 34 additional parking stalls nearby from a private parking lot operator.

The proposed legislation will authorize the Director of Finance and Administrative Services (FAS) to enter into, record, and administer various legal documents for the creation of a three-unit condominium on the East Precinct Parking Lot and the conveyance and lease of the airspace units to Capitol Hill Housing (CHH). A Letter of Intent (LOI) that laid out the basic terms and conditions of the property sale was negotiated and signed by both parties in May 2011 (see Exhibit A). In exchange for the conveyances, CHH will deliver to the City a parking garage built to critical facilities standards that will include a minimum of 111-parking stalls, a back-up generator, security system, and other ancillary items that are necessary to support the Seattle Police Department’s ongoing operations. Furthermore, CHH will construct a mixed-use commercial/arts/low-income housing development. CHH’s project is proposed to contain four retail/restaurant spaces, an arts/theater space all on the first floor, 17,000 square feet of office space to be located on the second floor, and 88 units of low-income housing on floors three through six. The City’s Office of Housing, through the 2009 Seattle Housing Levy fund, has awarded the housing portion of the project up to \$7.7 million for the development of the 88 units of affordable housing; including a mix of studios, one, and two bedroom units. A requirement to

receive the Office of Housing money, CHH is obliged to lease every apartment to individuals and families earning less than 60% of the median income. The project as of July 10, 2012 has an approximate construction budget of \$44 million, consisting of \$11 million for the construction of the garage; \$11 million for the office, commercial and art space; and approximately \$22 million for the construction of the housing units. During the time of construction, CHH will secure offsite parking for SPD's fleet vehicles and officers' personal vehicles.

FAS commissioned an appraisal of the subject property in February 2012, which valued the property, as if vacant, at \$7.3 million. While working with CHH and its architect team, it became clear that the ramping assumptions and first floor use assumptions arrived at during the Letter of Intent negotiations were flawed. The result is that the garage and some CHH uses need to be constructed deeper in the soil, requiring more excavation and more total square footage of construction. The City agreed to share in these costs so that the project could proceed, and those funds are appropriated via this proposed legislation.

In 2012, CHH has requested from the City additional funding to achieve the revised scope of work in the amount of \$268,750. An additional \$125,000 is necessary to pay for outside legal counsel retained by the City to provide expertise to handle the federal tax credit programs, federal loans, condominiums and to protect the interests of the City. It is anticipated that the construction of the parking garage will cost approximately \$11.0 million, with CHH contributing the difference between the City's contribution and the cost of construction.

Because CHH intends to use new market tax credits to partially finance the construction, Federal law requires CHH to own or control all three condominium units for a minimum of seven years; therefore, in addition to conveying the housing and commercial units to CHH, the City will also ground lease the garage unit to CHH. During that period of time, the City will have an exclusive lease of the parking garage, the use of which is restricted to Seattle Police Department parking. Upon expiration of the new market tax credits at the end of the seven-year period it is anticipated that the City will acquire the garage condominium unit for a nominal amount. As security for the construction of the garage unit, the City proposes that it will retain fee ownership of the ground, which it will lease to CHH through a 65-year Ground Lease, the term of which will commence the date the document is executed. Because of the project's various complexities, the Law Department has retained outside counsel to provide expertise in the areas of federal tax credit programs, federal loans, condominiums, and to assist in integrating the interests of the City, CHH, and CHH's private equity and commercial loan partners.

In 2014 the City will begin lease payments in the amount of \$75,000 a year until 2018 and the last payment, per the agreement, in 2019 will be for \$56,250. When the garage is completed in 2014, \$265,000 will be necessary for communications and security equipment to ensure that police communications equipment will in the underground levels of the garage and secure the garage with security cameras.

X **This legislation has financial implications.**

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2012 Appropriation	2013 Anticipated Appropriation
General Subfund (00100)	Finance General	Appropriation to General Subfunds and Special Funds BCL	\$393,750	0
Finance and Administrative Services Fund (50300)	Finance and Administrative Services	Facilities Services BCL	\$393,750	\$0
TOTAL			\$787,500	0

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

Additional appropriations will be necessary starting in 2014 and will be included in the 2013-2014 Proposed Budget.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2012 Expenditures	2013 Anticipated Expenditures
Finance and Administrative Services Subfund (50300)	FAS	A3300	\$393,750	0
TOTAL			\$393,750	0

** See budget book to obtain the appropriate Budget Control Level for your department.*

Spending/Cash Flow Notes:

Upon closing of the real estate transaction, the City of Seattle will transfer funds for the completion of the garage condominium unit to Capitol Hill Housing.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Yes. Upon completion of the Parking Garage the City will pay \$75,000 a year (starting in 2014), which represents the amortized value of the tenant improvements that are required for the needs of the Seattle Police Department's use. Also, when the tax credit advantages terminate after seven years, the City will have the opportunity to buy the garage at a nominal amount of money (i.e., for \$1,000.)

b) What is the financial cost of not implementing the legislation?

There is no financial consequence should the City decide to not implement this legislation.

c) Does this legislation affect any departments besides the originating department?

Yes, this legislation affects the Seattle Police Department, Office of Housing, and Office of

Economic Development.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

The City could sell the Property through a competitive process. This option would present further risks and fewer options for the City. The City will continue to have a need for the parking that is provided at this site for as long as the East Precinct exists. As such, the value to a developer for the property is heavily diminished, and may not yield the necessary parking that the City requires. Therefore, the range of potential uses and buyers is narrowed.

e) Is a public hearing required for this legislation?

Yes, a public hearing is required for this legislation, as per City Council Resolution Number 31203 and 30862. FAS has complied with the necessary public notification process; the City Council on June 29, 2012 approved of FAS's proposed Public Involvement Plan. In late October 2011, FAS mailed approximately 2,500 neighborhood notices inviting input on the reuse and disposition of the Police Precinct Auxiliary Parking lot. The notice was sent to property owners and residents within 1,000 feet of the site, as well as all other neighbors whom expressed interest in the project; additionally local neighborhood groups, committees and organizations with a presence on Capitol Hill received the notice.

To date, FAS has received approximately a dozen responses; the overwhelming majority of those responses have been positive to the recommendation of FAS and/or parties that want to be kept informed of the project. Opinions expressed from the responses have been encouraging of the project and indicate that the development of a mixed-use housing project with secure underground parking will be much more beneficial to the community than the surface parking lot that exists now.

In addition to the City's notification, Capitol Hill Housing sent a notification to all property owners, and residences within 500 feet of the site project. The few responses that were received by Capitol Hill Housing all encouraged development of the site.

On October 19, 2011, Capitol Hill Housing its architect, SMR, presented the proposed project to the East Design Review Board. The meeting had in attendance approximately 25 community members; no one at this public hearing raised any objections to the proposed project.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

Yes, publication in the Daily Journal of Commerce is required for this project, as part of this legislation is related to the disposition of real property.

g) Does this legislation affect a piece of property?

Yes, the address of the property is 1620 12th Avenue East, Seattle. King County Assessor numbers 600300-0645, 600300-0660, 600300-0665, and 600300-0670. Exhibit B provides a map of the property.

h) Other Issues:

In addition to the City's funding of this project, the State of Washington has agreed to loan \$1.5 million through the Washington Department of Commerce that will be allocated towards the arts and community space provided CHH's building. The State of Washington Housing Trust Fund has granted a \$2 million loan for the housing portion of the development. Separate legislation from the Office of Economic Development proposes to provide the project with up to \$1.0 million in a Section 108 HUD Loan, which requires that a certain number of jobs be created in order to receive the funding.

List attachments to the fiscal note below:

Exhibit A: Map of Property
Exhibit B: Letter of Intent